STATE OF MICHIGAN

CIVIL SERVICE COMMISSION

COORDINATED COMPENSATION PANEL

COORDINATED COMPENSATION PROPOSAL

for

FISCAL YEAR 2007

Recommendations for Nonexclusively Represented Employees of the State of Michigan Classified Service for the Fiscal Year Beginning October 1, 2007

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SUMMARY OF PROPOSAL

Last year, the Office of the State Employer (OSE) and four Limited Recognition Organizations (LROs) reached a consensus agreement reflecting a coordinated approach to compensation increases and fringe benefits changes for fiscal years 2006, 2007 and 2008.

THE PANEL PROPOSES that the Commission approve the following recommendations pertaining to FY 2007.

- A 2% across-the-board pay increase effective October 1, 2006, and another 2% across-the-board pay increase effective April 8, 2007.
- A special $.25 per hour wage increase for Corrections Shift Supervisors 11, 12, 13, and Corrections Security Inspectors 13 effective October 1, 2006.
- A special $.40 per hour wage increase for Assistant Resident Unit Supervisors 11 and Resident Unit Managers 13 effective October 1, 2006.
- A retention bonus of $1,500 to be paid in December 2006 to employees in Pharmacist Manager 13 and 14 positions with five or more years of service on November 1, 2006.
- Renewal of the Professional Development Fund for MSC employees at $150,000, and renewal of the Professional Development Fund for B & A unit employees at $50,000.

THE PANEL PROPOSES that the Commission approve the following recommendation contained in that agreement pertaining to FY 2006.

- Increase the annual dry cleaning allowance for Corrections Shift Supervisors 11, 12, 13 and Corrections Security Inspectors 13 to $575. The Panel also proposes that the Commission approve the inclusion of language in Rule 5-7.3 necessary to implement this proposal.

THE PANEL PROPOSES that the Commission deny the following recommendations:

- A special 10% increase for Pharmacist Managers 13 and 14 as recommended by Mr. Carey Abbott.
- A special 37% increase for Financial Institution Examiners 9-12, Specialists 13-15 and Managers 13-15 as recommended by Ms. Rosalyn Butler.
- A special 22% locality pay differential for select areas in Wayne and Oakland Counties as recommended by Ms. Rosalyn Butler.

- The extension of shift pay premium to all NEREs with 50% or more of their regularly scheduled work hours falling between 4:00 p.m. and 5:00 a.m. as recommended by Ms. Cheryl McAllister.
- A $755 lifetime lasik/laser surgery benefit to NEREs as recommended by ASEM.
- The MSPCOA request to change the maximum overtime rate.

THE PANEL PROPOSES that the Commission take no action on the following recommendations:

- A lump sum award of up to $500 for all employees in the performance-pay program who receive a satisfactory rating for FY 05/06 as recommended by ASEM.
- The MSPCOA request to change the rate at which State Police lieutenants earn compensatory time.
- The ASEM request to change the “in lieu of” mileage reimbursement rate for employees who use their own vehicles for state business.

THE PANEL ALSO PROPOSES that the Commission:

- Direct the DCS, with input from the OSE and the Department of Labor and Economic Growth (DLEG), to conduct a study of the compensation for the Financial Institution Examiner/Specialist/Manager class series and other similar class series in DLEG. The study should include a salary survey of employers performing similar responsibilities in Michigan and other states. The study should be completed in 2006 and a report of findings presented to the Panel prior to completion of the 2006 CCP proceedings for fiscal year 2008.
- Direct the DCS, with input from the OSE and the affected departments, to conduct a study of shift differential eligibility. The study should involve a historical overview of the subject, an analysis of the number of positions assigned to second and third shifts and their associated eligibility for shift differential, a comparison of practices in other states, and any other relevant information. The study should be completed in 2006 and a report of findings presented to the Panel prior to completion of the 2006 CCP proceedings for fiscal year 2008.

OSE’s Estimate of Total Cost of Proposal: $39,214,100

INTRODUCTION

Civil Service Commission Rule 1-15.4(c) states that the Employment Relations Board shall serve as the coordinated compensation panel. Rule 5-1.3, *Coordinated Compensation Plan,* states*:*

> *The coordinated compensation panel shall send a recommended coordinated compensation plan for all nonexclusively represented classified employees to the civil service commission. The panel shall consider negotiated collective bargaining agreements, any impasse panel recommendations, and any recommendations of the employer or employees.*

Regulation 6.06, *Coordinated Compensation Plan,* establishes a process for participants and guidelines that may be used by the Panel in making its recommendations. Under the Regulation, participants in the Coordinated Compensation Plan (CCP) process include the Office of the State Employer (OSE) and organizations granted limited recognition rights under *Rule 6-8.3(b)*. The following four limited recognition organizations (LROs) participated in this year's CCP, via the 2004 consensus agreement with the OSE:

- Association of Assistant Attorneys General of Michigan (AAAGM)
- Association of State Employees in Management (ASEM)
- Michigan Association of Governmental Employees (MAGE)
- Michigan State Police Command Officers Association (MSPCOA)

Nonexclusively represented employees who are not members of LROs may also participate in the CCP process upon leave granted by the Panel. On August 15, 2005, the Department of Civil Service issued Advisory Bulletin 6.06-1, providing the guidelines for employees to submit requests to participate in the FY 2007 process. The deadline for submission was September 9, 2005. This year, three individuals participated in the process: Dr. Carey Abbott, the Pharmacy Director at Walter P. Reuther Psychiatric Hospital (Pharmacist Manager 13), Ms. Rosalyn Butler, Financial Institution Examiner P11 in the Department of Labor and Economic Growth, and Ms. Cheryl McAllister, Departmental Manager 13 at the Department of State.

The Panel held a hearing on November 1, 2005. The participants presented highlights of their positions and responded to the opposing party's response, as well as the questions of the Panel.

The following guidelines from Regulation 6.06, Standard D, are used by the Panel in making its determinations:

(1) *The public interest and welfare, including the current and forecasted financial condition of the State.*

(2) *Comparison of the overall compensation received by excluded and non-exclusively represented classified state employees with the overall compensation received by exclusively represented classified state employees as the result of negotiated agreements or impasse panel recommendations.*

(3) *Comparison of the rates of pay, the continuity and stability of employment, and the overall compensation and benefits received by excluded and nonexclusively represented classified state employees with employees performing similar services in other public employment and in private employment.*

(4) *Other appropriate considerations to the sound and rational determination of a coordinated compensation plan.*

ECONOMIC OVERVIEW

Regulation 6.06 calls for the Panel to consider in its determinations, "the current and forecasted financial condition of the State." Consistent with this regulation, the Panel received a briefing on FY 06 revenue forecasts and budget projections during the hearing as part of the State Employer's presentation. Statements and documents were received from Jeffrey Guilfoyle, Director of Economic and Revenue Forecasting in the Department of Treasury, and Nancy Duncan, Deputy State Budget Director, Department of Management and Budget. The following is a brief summary of the information provided**.**

Prior to presenting the revenue forecast, Mr. Guilfoyle provided some context for the data by reviewing several indicators of economic growth and growth in employment at both the national and state level. In Mr. Guilfoyle's opinion, continuing strength in the national economy should translate into moderate growth in Michigan employment. This employment growth will be below the national trend, but will still be an improvement over what Michigan has seen recently.

In terms of the revenue outlook, Mr. Guilfoyle presented the impact of assumed growth rates for revenues of 2% to 5% based on the FY 2006 general fund/general purpose (GF/GP) amount contained in the August 2005 forecast. A baseline revenue increase of 2% would result in $86.1 million more available to spend in FY 06 GF/GP revenues than are currently in the FY 05 budget, and a 5% increase in revenue would result in an additional $321.8 million.

Revenue Scenarios for FY 2006
($ in millions)

FY 2005 GF/GP Amount	Assumed Growth	Gross New Revenue	Effect of Tax Changes	FY 2006 Net New Revenue
$7,856.3	2%	$157.1	($71.0)	$86.1
$7,856.3	3%	$235.7	($71.0)	$164.7
$7,856.3	4%	$314.3	($71.0)	$243.3
$7,856.3	5%	$392.8	($71.0)	$321.8

The State's projected budgetary pressures for FY 2006 were outlined by Ms. Duncan, as summarized in the chart below:

FY 2006 GF/GP Spending Pressures
($ in millions)

Issue	Low Range	High Range
Medicaid: Impact of Federal Law	$35.0	$65.0
Medicaid: Caseload Utilization Growth	$125.0	$250.0
DHS: Reduction in Federal TANF Balance	$0.0	$70.0
DHS: Caseload Growth	$10.0	$20.0
Corrections Bed Space	$40.0	$60.0
Debt Service Increase	$25.0	$45.0
State Employee Economics Costs	$120.0	$160.0
Loss of One-Time Revenue in FY 2005 Budget	$60.0	$80.0
Total	**$415.0**	**$750.0**

Medicaid may be impacted by a decrease in the rate at which the federal government matches state spending, and continued growth in Medicaid caseload and utilization. *DHS* may be impacted by the reduction in the Federal Temporary Assistance to Needy Families fund balance, and by caseload growth mainly in child welfare and daycare programs. *Corrections* bed space continues to exert budgetary pressures. Despite the slowing of growth of entry into the system, truth-in-sentencing requirements require prisoners to serve their minimum sentence, and therefore, they are remaining in the system longer. *Debt Service Increase* relates both to an increase in debt service costs and some new debt issuances primarily related to the Clean Michigan Initiative and the State Building Authority. *State Employee Pension Economics* is related to negotiated increases and estimates on insurance and retirement costs. Finally, there is the loss of a few *One-Time Revenue* items from the FY 06 budget that will need to be accounted for in FY 07.

Ms. Duncan noted that the chart does not reflect any increases in discretionary spending for higher education, local revenue sharing, rate increases for providers or clients, or state employee economics. Ms. Duncan then sought to give some historical context to the gap between spending pressures and expected revenue. She noted that in FY 2004, the budget gap that was eventually solved was about 1.7 billion dollars. In FY 2005 the gap was 1.3 billion dollars, and in FY 2006 it was 800 million dollars.

I. General Wage Adjustment

A. Base Pay Increase

The OSE recommends a 2% general wage adjustment effective October 1, 2006 and a 2% general wage adjustment effective April 8, 2007 for all nonexclusively represented employees. It is consistent with the wage increases negotiated between the OSE and all of the exclusive representatives for the fiscal year beginning October 1, 2006, with the exception of the Michigan State Police Troopers Association (MSPTA). Negotiations with MSPTA are currently in process. This recommendation is also consistent with the consensus agreement on direct wage increases for FY 07 reached between OSE and the four LROs in the fall of 2004. The OSE estimates the cost of the two 2% increases for 14,796 non-exclusively represented employees to be $37.7 million, including the impact of wage-based roll-ups (FICA, retirement, long term disability, life insurance, overtime, and shift differentials).

Recommendation

THE PANEL RECOMMENDS that the Commission approve a 2% across-the-board base wage increase for nonexclusively represented employees, effective October 1, 2006, and a 2% across-the-board base wage increase for nonexclusively represented employees, effective April 8, 2007, consistent with the wage adjustments negotiated for exclusively represented employees.

II. Special Adjustments and Premiums

A. Corrections Shift Supervisors 11, 12, 13, Corrections Security Inspectors 13, Assistant Resident Unit Supervisors 11, and Resident Unit Managers 13

As part of a consensus agreement reached with MAGE in October 2005, the OSE recommends special wage increases for the above listed classifications. They recommend a special $.25 per hour wage increase for Corrections Shift Supervisors 11, 12, and 13 and Corrections Security Inspectors 13, to be effective October 1, 2006. The OSE estimates the cost of this proposal for FY 2007 to be $664,000. Also effective October 1, 2006, they recommend a special $.40 per hour wage increase for Assistant Resident Unit Supervisors 11 and Resident Unit Managers 13. The OSE estimates the cost of this proposal for FY 2007 to be $510,000.

Although it is not before the Panel to consider this year, the consensus agreement also recommends an additional $.30 per hour special wage increase for the Corrections Shift Supervisors and Security Inspectors and a $.40 per hour increase for Assistant Resident Unit Supervisors and Resident Unit Managers, to be effective October 1, 2007.

Pat Caruso, Director of the Department of Corrections, presented the department's rationale for these increases at the CCP hearing. Among the reasons mentioned for supporting the proposed increases, Director Caruso described new intensive supervisory and leadership training courses that individuals in these classifications are required to take. She also described the impact of staff reductions of almost 300 positions in these classifications over the last three years on the workload and responsibility level of the captain and lieutenant positions. She stated that the combination of staff reductions and training has led to the expanded supervisory and managerial duties of these positions, to the point where, "[o]ur captains and lieutenants are frequently the highest ranking person at a correctional facility. They are literally in charge of—responsible for the lives of the prisoners and the staff in that facility."

Director Caruso cited difficulties in recruiting individuals into these classifications at a number of facilities. She related how she and other administrators from the DOC had traveled throughout the state over the last year and listened to disparity concerns raised by individuals in Shift Supervisor, Security Inspector and Resident Unit classifications and had determined that some of the issues raised were valid. The administrators heard from many employees—employees the department would like to see promoted into supervisory and managerial positions—that they cannot justify accepting these positions to themselves or their families. The employees cited lack of control over their schedule and days off. They also cited issues of fairness and parity related to the ability of Corrections Officers and Resident Unit Officers (the positions supervised by the classifications for whom the increases are proposed) to earn overtime more readily than their supervisors.

Discussion

At the hearing, the Board questioned whether the increases sought would be sufficient to address the concerns presented. The Board also expressed some confusion over the fact that arguments that the Employer and the Department of Corrections had rejected for years were this year being used to support the proposed increase.

The Board rejects the arguments related to the payment of overtime. While the Board recognizes the impact on gross wages due to the payment of overtime, the overtime payments are earned based on additional hours worked, and the decreased availability of overtime at supervisory levels is well known by the candidates prior to accepting these supervisory positions.

Despite this, the Board found Director Caruso's presentation to be both credible and persuasive. The expanded duties of these positions, the increased levels of complexity and responsibility, the expressed difficulty in recruiting a broad range of candidates, and the increased investment in training on the part of the department all lend support to Director Caruso's assessment that these positions have become more valuable to the department over time and that therefore, the proposed increases are warranted.

Additionally, the Board respects and gives weight to the good faith consensus agreement reached between the OSE and MAGE. Included in the Consensus Agreement language was an agreement by MAGE that this exhausts its rights to propose compensation changes for Fiscal Year 2006-07 and 2007-08. It also resulted in two other proposals in its original position statement (Office Supervisor 9 and Dentist 16 special increases), being dropped from consideration this year.

Therefore, **THE PANEL RECOMMENDS** that the Commission approve a special $.25 per hour wage increase for Corrections Shift Supervisors 11, 12, 13, and Corrections Security Inspectors 13 effective October 1, 2006, and a special $.40 per hour wage increase for Assistant Resident Unit Supervisors 11 and Resident Unit Managers 13 effective October 1, 2006.

B. <u>Performance-Pay</u>

The ASEM recommends that all NEREs in a Performance-Pay Program who are at or above the fixed control point (maximum base salary) and who receive a satisfactory performance rating, receive a $500 lump sum bonus for FY 2005/2006. ASEM notes that under Executive

Directive 2003-15, Group 4 employees who are paid at or above the fixed control point have not received a pay increase for two and half years.

ASEM cites as evidence for its argument the fact that certain performance-pay employees (in ECP Groups 2 and 3) were moved back to step pay schedules and out of the performance-pay program, while Group 4 employees were not. Also, OSE issued memoranda allowing performance-pay base increases of up to 5% for performance-pay employees below the fixed control point for Fiscal Year 2005. ASEM also noted that the Attorney General awarded $1,000 performance-pay bonuses to NEREs in that department for “hard work and uncompensated overtime.” ASEM also cites as support for their argument the fact that unionized employees continue to receive step increases, and the fact that special wage increases were approved for a number of classifications for FY 06 during last year’s CCP process.

At the hearing, ASEM clarified that it is not requesting a blanket $500 increase for every employee at the fixed control point. Instead it is asking that the process be opened up to allow departments the discretion to award employees based on their performance, even if they are already at the fixed control point of their pay range.

<u>OSE Response</u>

The OSE opposes ASEM’s request and indicates that if approved, it would be “countermanding the policy decision of the Administration.” The OSE maintains the position that given current budgetary constraints, lump sum payments should still not be provided to performance-pay employees at this time. The ASEM’s point that the Attorney General made $1,000 bonus payments to employees is not relevant as these were authorized by an elected official not subject to the authority of the Governor. Unionized employees continue to receive step increases, as do any NEREs in step pay schedules who are not yet at the pay range maximum. Those at maximum no longer receive any pay increases, just like the performance-pay employees who are at the fixed control point. Finally, the OSE points out that the special wage adjustments made for certain classifications for FY 06 were part of a consensus agreement because salary survey data and other evidence demonstrated the need for the increases, and this point does not support granting ASEM’s proposal.

Discussion

Civil Service Rules and Regulations regarding performance-pay have not changed, and lump sum bonuses are still allowed under Regulation 5.07, *Performance-Pay Programs*. It is current Administration policy that directs departments under the authority of the Governor not to award performance-pay lump sum bonuses to their employees.

Therefore, **THE PANEL RECOMMENDS** that the Commission take no action on this proposal.

C. Pharmacist Manager 13 and 14

Carey Abbott, Pharmacy Director at Walter P. Reuther Psychiatric Hospital, (Pharmacist Manager 13), makes two recommendations related to pharmacist managers.

Dr. Abbott recommends that the $1,500 retention bonus that was approved for represented pharmacists also be extended to the NERE pharmacist managers. This one-time retention bonus would be paid to pharmacists with five or more years of service as of November 1, 2006 and would be paid on the first pay date in December 2006.

Secondly, Dr. Abbott recommends an additional 10% special wage increase for pharmacist managers. This would be in addition to the 10% increase which just became effective on October 1, 2005. Dr. Abbott contends that wages are still too low, retention is a bigger problem now, even after the announcement of the 10% pay increase, and there are no new pharmacists currently in state government who were hired since the last time he appeared before the panel in 2002.

OSE Response

The OSE supports and recommends approval of extending the same retention bonus that was approved for represented pharmacists to the Pharmacist Manager 13 and 14 as well. The OSE estimates the cost of this proposal to be $10,100.

However, the OSE opposes any additional special pay increases for pharmacists at this time. The special 10% increase approved last year just took effect on October 1, 2005, and there has been insufficient experience to determine the effect this will have on recruitment and retention of pharmacist managers. In addition to the 10% increase, the OSE also points out that other factors possibly impacting retention—BLT pay reduction and furlough hours—have only recently ended. The OSE, while acknowledging some difficulty with recruitment, indicated that the state is exploring other methods to address the problem, such as the creation of regional pharmacies where one pharmacy would serve a number of prisons and community health facilities in the geographic region in order to get a greater economy of scale.

Discussion

While the Panel recognizes that there may still be some recruitment and retention difficulties within the pharmacist classifications, it agrees with the OSE's position that there has been insufficient time and experience with use of the optional $2,500 signing bonus that became effective on May 17, 2005, and with the impact of the special 10% wage increase that was effective on October 1, 2005.

THE PANEL RECOMMENDS that the Commission approve implementation of the $1,500 retention bonus for Pharmacist Managers 13 and 14, for pharmacists with 5 or more years of service as of November 1, 2006, to be paid on the first pay date in December 2006. **THE PANEL ALSO RECOMMENDS** that the Commission deny Carey Abbott's request for a special 10% pay increase for pharmacist managers.

D. Financial Institution Examiners 9-12, Specialists 13-15 and Managers 13-15

Rosalyn Butler, Financial Institution Examiner P11 in the Department of Labor and Economic Growth, proposes a 37% base pay increase for Financial Institution Analysts, Specialists and Managers. Ms. Butler argues that the increase is needed to attract competent examiners and to retain experienced examiners. She provides data which she purports indicates state examiners are paid 37% less than their federal counterparts. She also argues for raising the salaries of state examiners above those of the financial institution staff that they examine.

OSE Response

The Office of the State Employer rejects all three of Ms. Butler's arguments for the 37% base pay increase. They reject her contention of recruitment and retention issues for these classifications. The OSE argues that pay comparisons with one employer are insufficient evidence to support her request. The OSE also questions the relevance and applicability of the data Ms. Butler presents regarding the pay of various credit union officials in Michigan.

Instead, the OSE proposes a study of the Financial Institution class series to be conducted by the Department of Civil Service, in cooperation with the Office of the State Employer and the Department of Labor and Economic Growth. The study should examine the jobs within the Office of Financial and Insurance Services (OFIS) to review internal and external equity. The OSE also recommends including a comprehensive salary survey of employers in Michigan, as well as other relevant state governments. The study should be completed and made available before next year's CCP proceedings.

Discussion

No evidence has been presented to suggest that a special pay increase for these classifications is warranted. The turnover rate for employees in the Financial Institutions class series is well below the state average. Records indicate three employees separated from this class series during FY 04/05, and two separated during FY 03/04. Given the current number of incumbents, this equates to a turnover rate of 3.2% and 2.2% respectively. This is much less than the statewide turnover rate for FY 03/04 of 6.8%.

The Panel agrees with the OSE position that additional study of these classifications, as well as other classifications within the Office of Financial and Insurance Services, is necessary before pay increase recommendations should be considered. A comprehensive salary comparison should also be undertaken, rather than relying upon comparisons with only one other employer. Therefore, the Panel supports the recommendation for further study of this issue.

THE PANEL RECOMMENDS that the Commission direct the Department of Civil Service to conduct a study, in cooperation with the Office of the State Employer and the Department of Labor and Economic Growth, of the Financial Institution class series. The study should include a full examination of the classifications within OFIS, as well as salary comparisons of relevant employers in Michigan with similar positions and with other state governments, to be completed and submitted to the Panel prior to CCP proceedings for Fiscal Year 2008.

E. Locality Pay

Ms. Butler also proposes the implementation of a 22% locality pay differential for select cities. Ms. Butler argues that state employees in certain areas, such as Wayne and Oakland counties, incur a higher cost of living. In support of her request, she cites data from the National Credit Union Association (NCUA) which indicates a 22% premium for federal credit union examiners in the Detroit area. She also cites the "select cities" meal reimbursement rates contained in the state's travel reimbursement regulations as further justification for the locality pay.

OSE Response

The OSE does not support Ms. Butler's request for 22% locality pay. The Employer argues that "where an employee chooses to live, in most cases in state government, is entirely the employee's choice." The Employer also argues that pay rates are competitive across the state, and that Ms. Butler's request, if granted to all state employees in Oakland and Wayne counties, would cost the state approximately $120 million annually.

Additionally, the OSE argues that comparison with one employer is insufficient support for such a costly benefit. The Employer also believes that differences in travel reimbursement rates provide no support for Ms. Butler's request for locality pay.

Discussion

The Panel is not convinced of any need to implement locality pay within state government. Use of the 22% locality pay differential for federal examiners in the Detroit area as justification for this position is problematic on two fronts. First, it equates a comparison of the Detroit area and the NCUA's baseline data point with a comparison of the Detroit area and, for instance, Lansing. The difference in cost of living between Detroit and Lansing is probably far less than the difference between Detroit and the NCUA's baseline locality. Second, assuming NCUA's locality pay structure is similar to the federal Office of Personnel Management's (OPM) structure for other federal employees, it is also overstated. While OPM's website lists a 19.6% locality differential for the Detroit metro area for 2005, it also lists an 11.72% differential for "Rest of the U.S." The arguments do not suggest the need for implementation of a locality pay differential. Therefore, **THE PANEL RECOMMENDS** that the Commission deny the request for implementation of a 22% locality pay for select areas in Michigan.

F. Shift Differential

Cheryl McAllister, Departmental Manager 13 at the Department of State, proposes that all NERE employees whose position description shows that 50% of their regularly scheduled hours of work falls between the hours of 4:00 p.m. and 5:00 a.m., be entitled to receive a shift premium. She believes that any NERE assigned to the second or third shift, regardless of his/her classification level, should be entitled to receive the premium because these shifts require an accommodation that benefits the employer. These employees must often make adjustments to their schedules in order to attend trainings or meetings that occur between 8 a.m. and 5 p.m.

OSE Response

The OSE opposes the blanket granting of shift differential regardless of pay, duties or level. Shift differential premium had been tied to the Position Comparison Equivalency Level (PCEL) when that had been the state's classification plan. The PCEL was a number value intended to allow a classification and level with a Roman numeral designation in one service group to be compared with a class and level in another service group for such things as eligibility to transfer from one classification to another. Even though the PCEL is no longer used in the state's classification system, the shift differential eligibility is still tied to these PCEL levels. Because of this, some classifications may be eligible for the premiums that are at the current ECP (Equitable Classification Plan) level of 13 while others are not. No classifications above ECP level 14 are eligible for shift differential. OSE estimates that there are approximately 9,200 NEREs who are eligible for shift differential and 6,300 who are not eligible.

Ms. McAllister mentioned that she attempted to gather information from departments to try to determine the number of NEREs who actually regularly work second and third shifts. Because there is no way to centrally determine this information and because of the lack of information regarding the current eligibility criteria differences, the OSE proposes that the Panel recommend a study of shift differential eligibility be conducted for next year's CCP. The study may include an historical overview of the subject, a determination of the exact number of positions not eligible for shift differential who are actually assigned to second and third shifts, a comparison of other state's practices, and any other relevant information.

Discussion

Shift differential premium is paid to employees who regularly work 2nd and 3rd shift schedules. Presumably the premium is paid as recognition of the inconveniences caused by having to work something other than a regular 1st shift schedule. The Panel is compelled by Ms. McAllister's argument that the inconvenience does not stop at a certain classification level. However, without a clearer understanding of the scope of this issue and how many currently ineligible employees would actually be affected, the Panel does not support making any changes at this time. It does support the proposal made by the OSE to thoroughly study the shift differential premium, including the history and background of the subject, verification of how many ineligible employees regularly work 2nd and 3rd shifts, and comparison of other relevant employer's shift premium policies.

Therefore, **THE PANEL RECOMMENDS** that the Commission deny Ms. McAllister's request to extend the shift differential premium to all nonexclusively represented employees whose position description shows that 50% of their regularly scheduled hours of work falls between the hours of 4:00 p.m. and 5:00 a.m. **THE PANEL ALSO RECOMMENDS** that the Commission direct the Department of Civil Service, in cooperation with the Office of the State Employer, to conduct a study of the shift differential premium to be completed and submitted to the Panel prior to the CCP proceedings for Fiscal Year 2007.

III. GROUP INSURANCE

A. Lasik/Laser Eye Care Benefits

The ASEM recommends that lasik/laser eye surgery be a covered benefit under the State Health Plan with a lifetime coverage limit of $755.00. ASEM has made this same request for several years, and notes that effective October 1, 2005, this benefit was approved for MSEA bargaining unit employees. If the surgery reduces the need for glasses, the state will save money over time.

OSE Response

The OSE opposes the addition of this benefit to the group insurance plan. The benefit was offered to MSEA employees who represent only 9% of state classified employees. This has not been negotiated with any other exclusive representatives, and the OSE agreed to offer this benefit to MSEA with the intention of reviewing the experience to determine if it actually resulted in cost savings. At the hearing, Tom Hall of the OSE indicated that this benefit was proposed by MSEA in negotiations as part of a complete package agreement, and was agreed to, at least in part, as "recognition of their willingness to agree to the concessions we were seeking." The OSE asks that the panel not approve this request at this time, and allow the Employer time and experience with the benefit to determine if it will provide any cost savings to the state.

Discussion

In making its recommendations, the Panel is expected to compare "the overall compensation received by excluded and nonexclusively represented classified state employees with the overall compensation received by exclusively represented classified state employees as the result of negotiated agreements or impasse panel recommendations." However, that is not the only consideration. This benefit was only negotiated with one exclusive representative (MSEA) as part of a complete agreement package, and the Panel respects the rights of the Employer in the bargaining process. This benefit has not been negotiated with any other exclusive representatives, nor has the OSE given any indication that it intends to do so. The experience of MSEA employees utilizing this benefit should provide the necessary information to determine if there will be any cost savings to the state associated with extending it to the rest of the workforce. The Panel also notes that the option of using pre-tax dollars from an employee's Medical Spending Account to cover the cost of this elective procedure is available to nonexclusively represented employees.

THE PANEL RECOMMENDS that the Commission deny the ASEM request to offer lasik/laser eye surgery as a covered benefit under the State Health Plan.

IV. OTHER GROUP BENEFITS

A. <u>Professional Development Funds</u>

<u>OSE and LRO Recommendation</u>

The OSE recommends continuation of the Funds at their current levels. The fund for MSC employees would remain at $150,000 and the Fund for B & A employees would be renewed at its current level of $50,000. The OSE notes that there has been increased utilization of the Funds over the last several years.

<u>Discussion</u>

The Panel continues to support use of these funds as a way to encourage professional development in the state workforce.

THE PANEL RECOMMENDS that the MSC Fund be renewed at its current level of $150,000, and the B & A Fund be renewed at $50,000.

V. MISCELLANEOUS

A. <u>Uniform Dry Cleaning Allowance – Corrections Shift Supervisors 11-13 and Corrections Security Inspectors 13</u>

As part of the consensus agreement reached with MAGE in October 2005, the OSE recommends increasing the dry cleaning allowance for these employees to $575 annually. The current allowance is $250. OSE recommends that this increase begin in fiscal year 2005-2006, with a $325 payment being made to eligible employees as soon as administratively feasible after approval by the Civil Service Commission. The OSE estimates the cost of this proposal for FY 2006 to be $330,000.

<u>Discussion</u>

The Panel supports the good faith consensus agreement reached between OSE and MAGE, and notes that this reimbursement increase is consistent with the increase approved for MCO members, effective October 1, 2005.

THE PANEL RECOMMENDS that the Commission approve increasing the annual dry cleaning allowance for Corrections Shift Supervisors 11, 12, 13 and Corrections Security Inspectors 13 to $575. The Panel also proposes that the Commission approve the inclusion of language in Rule 5-7.3 necessary to implement this proposal.

B. <u>Mileage Reimbursement</u>

ASEM proposes that a temporary adjustment be made as soon as possible to the "in lieu of" mileage reimbursement rate (standard rate) for employees who use their own vehicles for state business, comparable to the 48.5 cents that was approved for the premium rate drivers. Because of the need for many state employees to drive their own vehicles rather than use a state car, ASEM asks that this adjustment be made "as quickly as possible to provide equitable compensation to all state employees."

<u>OSE Response</u>

The OSE opposes a temporary adjustment to the standard mileage reimbursement rate. The premium rate was raised from $.405 to $.485 effective September 1, 2005. DMB asked the Commission to approve this increase because the IRS had recently announced the same change in the Federal Standard Mileage Rate. The premium rate is paid to employees when no state vehicle is available and no state motor pool is maintained, or when the occasional daily travel assignment is less than 100 miles and the employee has not refused the use of an available state vehicle.

DMB sets the standard rate by calculating the cost to the state to operate a mid-size vehicle. DMB's costs have gone down recently and the calculation actually results in a reduction of the standard rate for FY 05/06 to $.3099. But because of higher fuel costs, DMB recommended maintaining the rate at its FY 04/05 level of $.328, and the Commission approved that rate.

<u>Discussion</u>

Effective March 12, 1998, the Civil Service Commission approved a resolution that removed the travel reimbursement rate-setting recommendation process from the annual Coordinated Compensation process, and delegated it to the Director of the Department of Management and Budget and the State Personnel Director. The Panel is not making any recommendation to the Commission on this issue.

However, the Panel did take note of the issues raised by ASEM, including what ASEM described as a complicated and time consuming process for requesting a state vehicle, access to parking lots and safety concerns, and the lack of information regarding the procedure and timeframe for employees to be able to provide input to the DMB for its annual rate setting process. Even though it has no authority in mileage rate-setting, the Panel has asked staff to convey ASEM's concerns to the Department of Management and Budget, Office of Vehicle and Travel Services.

C. Overtime and Compensatory Time for State Police Command Officers

The Michigan State Police Command Officers' Association (MSPCOA) submitted two proposals for consideration. First, the MSPCOA recommends allowing Lieutenants who earn exception overtime to be paid time and a half for overtime hours. Currently, their overtime is capped at time and a half the hourly rate of the highest paid non-exempt classification. Second, the MSPCOA recommends allowing Lieutenants to earn compensatory time at time and one-half, rather than on an hour-for-hour basis. The MSPCOA cites issues of fairness, equity and parity with represented State Police employees as the rationale for both requests.

OSE Response

The OSE opposes the MSPCOA's request to compensate lieutenants at time and one-half for exception overtime. The OSE argues the lieutenants are already receiving special treatment overtime compensation on an exception basis. OSE also rejects MSPCOA's contention that lieutenants are reimbursed for overtime at a rate less than their subordinates. The OSE notes that the same cap is applied to all employees who earn exception overtime.

The OSE also opposes the change to the accrual rate for compensatory time for State Police Lieutenants. They argue that, as allowed under Civil Service regulations, the "department should continue to have the flexibility to establish parameters for the granting of comp time based on departmental needs and budget."

Discussion

The Panel has heard and rejected this same request for exception overtime multiple times in the past, most recently in 1996 and 1997. In both years, the Panel stated that they remained "unconvinced that the status quo does not provide adequate compensation for overtime work…particularly given that most classified employees in supervisory classes at the same level are ineligible for overtime pay."

The exception overtime cap is set each year to be equal to the maximum pay rate of the highest paid overtime eligible classification. Currently, that classification is the State Police Sergeant. So the MSPCOA argument that the lieutenants are reimbursed at a rate less than their subordinates is also not factual.

No new evidence has been presented to justify changing the maximum overtime rate for ineligible employees**.** **THE PANEL RECOMMENDS** that the Commission deny the MSPCOA request to compensate lieutenants for exception overtime at a rate of time and one half.

With regard to the request on compensatory time, Civil Service Regulation 5.02 allows appointing authorities to adopt formalized compensatory time plans for ineligible employees. Accordingly, this issue should be directed to the Michigan State Police (MSP) appointing authority rather than this panel. The Panel recognizes the authority of the MSP to adopt a compensatory time policy that best addresses its workforce needs. Therefore, **THE PANEL RECOMMENDS** that the Commission take no action on this issue.